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AirAsia Berhad Second Quarter 2017 Financial Results

- **World's lowest-cost airline:** Cost per available seat kilometre of 3.07 US cents (incl. fuel)
- **Rising unit revenues:** Average fare up 10% to RM177; Revenue per available seat kilometre up 11% to 15.35 sen (3.56 US cents)
- **Strong passenger demand:** Load factor up two percentage points to 89% on growth in in passengers carried of 10% to 9.61 million
- **Growing bottom line:** Net Operating profit up 59% to RM395 million
- EBITDAR margin of 37% and EBIT margin of 22%
- Ancillary revenue of RM49 per passenger
- Cash balance of RM2.07 billion and free cash flow of RM419 million
- Indonesia and Philippines units reported operating profits of RM59 million and RM29 million respectively

SEPANG, 29AUGUST 2017 – AirAsia Berhad (“AirAsia” or the “Group”) today reported its results for the quarter ended 30 June 2017 (“2Q17”).

Unaudited Consolidated Results of AirAsia Berhad

The Group posted second quarter 2017 revenue of RM2.38 billion, up 19% on a like-for-like basis from RM1.99 billion in the same quarter last year. Revenue growth was supported by a 10% increase in passengers carried alongside a two percentage point increase in load factor. Operating profit was reported at RM517 million, up 37% from the same quarter last year. Net profit was reported at a lower RM140 million in 2Q17 compared to RM298 million in 2Q16 due to a one-off tax charge of RM212 million from the Group’s participation in the Indonesia Tax Amnesty Programme.

In 2Q17, Share of results of associates turned to a loss of RM1 million as Thai AirAsia posted a profit decline on continuing weakness in the operating environment. Operating profit for Thai AirAsia fell 48% year-on-year to THB397 million.

Comparisons between corresponding quarters are made between the reported 2Q17 financial results and the pro forma consolidated financial results for 2Q16 detailed in note no. 22 of the quarterly statement to Bursa Malaysia prepared on similar basis as in 2Q17 where both PT Indonesia AirAsia and AirAsia Inc. Group of Companies (Philippines) results were consolidated for financial reporting purposes.

Revenue Performance

Revenue per Available Seat Kilometre (“RASK”) averaged 15.35 sen in 2Q17, up 11% from 13.89 sen in 2Q16. The Group attributes the increase to higher average fare per passenger of RM177, up 10% year-on-year, and an increase in ancillary income from RM47 to RM49 per passenger.



PRESS RELEASE

Thai AirAsia posted 2Q17 revenue of THB8.35 billion, up 7% from THB7.77 billion in the same quarter last year, based on a 13% increase in passengers carried. The associate company of the Group reported a decrease in average fares of 5% year-on-year.

Cost Performance

Cost per Available Seat Kilometre ("CASK") averaged 13.22 sen in 2Q17, up 5% from 12.54 sen in 2Q16 largely due to higher aircraft fuel expenses. The average fuel price for the Group was US\$69 per barrel jet kerosene in 1Q17, compared to US\$59 per barrel in the same quarter last year. CASK ex-fuel decreased by 2% from 8.39 sen to 8.21sen due to lower maintenance and overhaul charges.

Thai AirAsia similarly reported an increase in CASK from 4.02 US cents in 2Q16 to 4.39 US cents in 2Q17, largely due to higher fuel prices. Domestic operations in Thailand were additionally affected by a January hike in excise tax on jet fuel used on domestic flights.

On the 2Q17 financial results, AirAsia Group CEO Tony Fernandes said:

"Despite the tougher operating environment in the seasonally weaker second quarter of the year, we managed to serve more passengers and increase our load factor in almost all the markets we operate in. What this proves, is that AirAsia and the low-cost carrier model stimulates new traffic in both existing and new markets and generates growth even when operating conditions are less than ideal for other airlines, especially full-service carriers.

"The consolidated accounts combining our Malaysia, Indonesia and Philippine units for the second quarter show we have managed to fight higher fuel costs with strong revenue growth of 19% year-on-year, resulting in a 37% year-on-year gain in operating profit to RM517 million. After booking a RM56 million net forex gain we reported a profit before tax of RM387 million.

"In the lead up to the stock market listings of Indonesia AirAsia and Philippines AirAsia, we are proud to announce that both airlines have produced stable profits this quarter of RM59 million and RM29 million respectively. After a successful turnaround, both operations are now more streamlined and better able to compete.

"The financial performance of our Thai associate weakened in the second quarter, but we believe this to be temporary. Operating conditions in Thailand were less than favourable during the quarter but Thai AirAsia emerged the only profitable airline. Our strategy for long term growth in Thailand is to continue to maintain our leading share in the domestic market while growing our international network. We hope to include Thai AirAsia in our consolidated accounts before the end of the year.

"Our associate airline in India has grown spectacularly, hitting over one million passengers carried in a quarter after growing capacity 83% year-on-year. We expect AirAsia India to begin to show a sizable profit once international operations take off in end-2018.

"On our balance sheet, the Company's net gearing ratio continues to remain at a desirable level, at 1.35 times compared to 1.33 times at the end of 2016.

"The Group's cash inflow from operations was RM419 million, with a cash balance of RM2.07 billion after paying out a final dividend of RM401 million in June 2017."

On the Group outlook, AirAsia Group CEO Tony Fernandes said:

"AirAsia Group is gearing up to expand to 500 aircraft by 2027, which entails adding 30 new aircraft every year for the next ten years. I'm confident that we can reach this target or even exceed it, especially as we set up our new associate airlines in Vietnam and China in the coming years.



PRESS RELEASE

"In this second half of 2017, we plan to add a further 23 planes to the group fleet, which will help solidify our strong position in intra-ASEAN routes and the domestic markets of Malaysia, Thailand and Philippines, where we have been steadily adding market share. This year is the most number of aircraft we have added in four years, demonstrating our confidence in the competitive environment in Asia.

"On cost discipline we are streamlining group functions and adopting new technologies in areas such as predictive maintenance and inventory management. And we are actively working with the respective ASEAN authorities to reduce landing and user charges to support low-cost carrier operations and boost investment in low-cost terminals.

"In generating returns for our shareholders, we intend to continue to look at deals to monetise our non-core assets and distribute a special dividend every two years. We are currently in final negotiations and will materialise the sale of Asia Aviation Capital, our leasing arm before the close of the year. We recently announced the sale of our 50% stake in training centre, Asia Aviation Centre of Excellence (AACE) to CAE for US\$100 million. We also continue to work toward the listing of Indonesia AirAsia and Philippines AirAsia."

"In summary, AirAsia continues to have an abundant growth story driven by low costs and a strong cash position. We will continue to grow the business to provide good returns to shareholders, in addition to special dividends which will come through the monetisation of our non-core assets."

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